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Hired guns gather at S&L showdown

Lobbyists defending varied interests

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WASHINGTON — When the House Banking Committee was meeting to draft its version of the savings and loan bailout measure, there was as much jockeying outside in the hallways as there was inside in the expansive but crowded hearing room.

"If you leave, you loose," a Capitol Hill

S&L CRISIS

police officer bellowed at a long line of nattily dressed lobbyists and other hangers-on, a warning that if they gave up their prized seats — even for a trip to the restroom — others would take their places.

For those who did not make it inside, there was the chance of cornering a committee member outside. On one day, some of the hopeful had arrived as early as 4:15 a.m. to secure seats.

To look out for their interests, the cash-starved thrift industry and other affected businesses — especially those in Texas — have eagerly opened their checkbooks to retain a high-dollar, high-powered cadre of sophisticated lobbyists, including former Texas Gov. Mark White, former La. Gov. Ben Barnes, and a gaggle of former-congressmen-turned-lobbyists.

Other lobby heavyweights, some of whom sent aides as stand-ins at the lengthy committee drafting sessions, include former Rep. Tom Loeffler, R-Hunt, and John White, the former national Democratic Party chairman from Texas.

The Banking Committee has finished its formal drafting of the Bush admini-

stration's \$157 billion thrift bailout package and the measure is now being reviewed by two other panels before it goes to the full House. The Senate already has approved a similar plan.

Finally, a joint House and Senate conference committee will reconcile the differences between the two chambers and the line of lobbyists will form again for yet another round of hearings.

At stake is the largest shake-up in bank. Please see HIRED on Page 2H.

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Hired guns at S&L showdown

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ing since the Great Depression, a life-and-death reordering of the thrift industry. And it is setting the stage for what promises to be the largest auction of real estate in history as regulators prepare to liquidate billions of dollars in properties held by hundreds of insolvent thrifts.

"It is hard to think of a piece of legislation that will have such a material effect on an industry and its ability to survive," said Richard Kneipper, an S&L attorney for Jones, Day, Reavis & Pogue.

Richard Fitzgerald, an attorney in the law firm of Muldoon, Murphy and Paucette, added, "This bill will affect the life and way of doing business of S&Ls in every place in the country. And because of it, many will not survive."

So, with the stakes so high, it is not surprising that the savings and loan industry, as well as a variety of sideline players, have turned to expensive assistance. But experts following the administration's far-reaching S&L overhaul list other reasons why the S&Ls have sought special help.

First, the savings and loan industry is split, with part of its members wanting to water down the tougher capital standards sought by an unusual alliance between the Republican Bush admin-



Ben Barnes... "I do not get a real good feeling about being from Texas in Washington. Being from Texas is a huge disadvantage."

istration and congressional Democrats — and the other half adamantly opposed. And, with such division in the ranks, the industry's principal trade group — the U.S. League of Savings Institutions — finds it difficult to adequately represent its members.

But even if the industry were united, many experts believe that the League still would be having its

troubles. It has been identified on Capitol Hill with many of the industry's problems and has been held accountable for stalling earlier initiatives to fix the downfall before it became so pervasive — and expensive.

"They (the League) are being blasphemed more than they deserve, but there are many people who say they are finally getting what they deserve," said one S&L attorney. Like many experts, the attorney still feared angering the once-influential League by being openly critical.

When the League walks into a room, they wear black hats," he said, "but they still speak loudly."

If the League has taken a beating in Washington, so have Texans. These days, when it comes to the thrift bailout, having a Texas drawl is synonymous with being one of the "Texas crooks" blamed for looting the S&Ls.

"I do not get a real good feeling about being from Texas in Washington," Mr. Barnes said. "Being from Texas is a huge disadvantage."

Likewise, while former Gov. White acknowledged that having big names on a lobby team can be helpful, he is carefully choosing when and where to personally represent his clients.

"In some quarters it would help, and in some quarters it would

hurt," he allowed in an interview. "We're just trying to find the right quarter."

Mr. Loeffler, through his spokesman, Mark Nelson, declined to be interviewed, sending word that he did not want to discuss his work with private clients.

The involvement of former Gov. White and Mr. Barnes, who are working together with the former governor's law firm, Keck Mahin & Cate, are symbolic of the diversity of players following the S&L measure.

The two former state leaders represent the National Coalition for the Rehabilitation of Federally Insured Institutions — a coalition of developers, taxing authorities and business interests seeking to modify the Bush bailout to prevent regulatory problems from dumping real estate and depressing property values.

The group is concerned that when billions of dollars of real estate now held by insolvent thrifts is turned over to regulators, it will be dumped on the market. And the resulting plunge in property values, they argue, will cause another round of bank and S&L failures, as well as hurt owners and local taxing authorities.

"If anybody intended to do this, they should be taken out and given

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a public spanking," former Gov. White said, arguing that people who own homes and commercial buildings will get hit twice as they are taxed to pay for the S&L bailout and again when their property values drop.

"This will be a double whammy for people who have fully paid for their properties," he noted. "They did not do anything immoral or illegal."

While the two former public officials will not reveal the specific clients in the coalition, they are part of an emerging high-powered lobbying team. Also aboard is the Evans Group, a Washington lobbying firm that includes former Republican Reps. Tom Evans of Delaware and Skip Bafalis of Florida.

Other lobbyists are representing commercial banks interested in purchasing thrifts. And there are non-bank interests, such as Sears, Roebuck and Co., which owns a savings association and is represented in Washington by John White, the former Democratic Party chairman.

Even though former Gov. White self-mockingly downplays his expertise, Sears was successful in convincing the House Banking Committee to include a special-interest amendment that will allow its subsidiaries to buy and sell mortgages among one another.

"We kept our ear to the ground and explained it (the amendment) to staff," former Gov. White said. Without the modification, he contends, "a lot of liquidity would have been taken out of the mortgage market."

But clients of other lobbyists wanting special help will not be as lucky. For the most part, Congress appears eager to quickly approve the Bush plan's provisions with few changes.

"I think the bill is largely cast in concrete," said William Isaac, the

"This bill will affect the life and way of doing business of S&Ls in very place in the country. And because of it, many will not survive."

**— Richard Fitzgerald,
attorney**

former chairman of the Federal Deposit Insurance Corp. who now heads the Secura Group, a Washington consulting firm. Even so, Mr. Isaac's firm is attracting new bank, thrift and non-bank clients interested in learning about the consequences — as well as opportunities — in the bailout measure.

"If you put it altogether," Mr. Isaac said, "it is a very significant piece of business. We are getting involved in a lot of strategic planning."

Other experts also are telling their clients not to expect many changes in the measure. In fact, former Gov. White and Mr. Barnes want to see the mechanism for liquidating real estate modified in a second piece of legislation. And many S&L clients, eager for relief, are being told by their representatives to choose their battles carefully.

"This is not the time to be playing Don Quixote and tilting at windmills," Mr. Kneipper said.

But Mr. Fitzgerald is concerned about the many small thrifts in small communities where managers are just beginning to understand the breadth and complexity of the bailout.

"A lot of the small ones will be surprised when they get a visit from their regulator-of-the-future, who will be articulating to them what this bill demands," he said.



Mark White . . . representing a coalition of developers, taxing authorities and business interests.